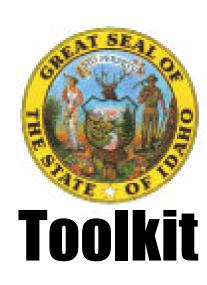# State of Idaho

Management Control System

Toolkit

TABLE OF CONTENTS

I. Control Environment - M.C.S. Evaluation Tool Kit

A.   *INTEGRITY AND ETHICAL VALUES*

1) Do you have comprehensive written policies or codes of conduct to address the following:
   a) Acceptable business practices?
   b) Prevention of conflicts of interest?
   c) Expected standards of ethical and moral behavior?
2) How have those policies been implemented? Please consider the following:
   a) Are codes and policies comprehensive, addressing conflicts of interest; illegal or improper activities; and procedures for disclosure of potential conflicts?
   b) Are codes and policies periodically distributed to, and acknowledged by all employees?
   c) Do employees understand what behavior is acceptable or unacceptable? Do they know what to do if they encounter unacceptable behavior?
   d) If a written code of conduct does not exist, do you emphasize the importance of integrity and ethical behavior in staff meetings, in one-on-one interaction, or by example in your dealings with day-to-day activities?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

3) Does your organization have the desired "tone at the top" to give moral guidance about what is right and wrong? Is this understood throughout the organization? Please consider the following:
   a) Is the commitment to integrity and ethics communicated effectively throughout the organization, both in words and in deeds?
   b) Do employees feel peer pressure to do the right thing?
   c) Do you appropriately deal with potential problems, such as customer or client complaints, untimely response, or high turnover?
      i) Do you identify such problems even when the cost of dealing with them could be great?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

4) Have you provided an avenue for employees at all levels to communicate with senior management regarding ethical and moral concerns? Please consider the following:
   a) Do you have a process for investigating problems?
   b) Do your employees know the appropriate channels of communication, if they can't take their concerns to their immediate supervisor?
   c) Do your employees understand there are "whistle blower" statutes to protect them from retribution, if they call attention to problems?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

5) Are appropriate steps of remedial action taken in response to departures from *statutes, rules, approved policies and procedures, and codes of conduct,* including communicating such remedial action throughout your organization? Please consider the following:
   a) Do you respond to violations of behavioral standards?
   b) When disciplinary action is taken as a result of a violation, do you communicate the information to your employees?

Do your employees understand, if they violate behavioral standards, they will "suffer the consequences"?Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

6) What is your response when established controls are circumvented or overridden? Please consider the following:
   a) Do you provide guidance on the type and frequency of situations in which intervention may be needed?
   b) Do you explicitly prohibit *management override* of established controls?
   c) Do you investigate and document all deviations from established policies?
   d) Do you appropriately document and explain all incidents of *management intervention*?
   e) Do you believe your current level of response is adequate?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

7) Targets, particularly for short-term results? Please consider the following:
   a) Do extreme pressures or temptations exist, unfairly or unnecessarily testing adherence to ethical values?
   b) Are rewards based largely on achievement of short-term performance targets?
   c) Are controls in place to reduce temptations that might otherwise exist?
   d) Do employees understand how the larger, long-term issues relate to short-term performance?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

A. CONCLUSION - Please summarize your responses for **Integrity and Ethical Values.**

B.   COMMITMENT TO COMPETENCE

1) Do you have formal, written job descriptions to define tasks comprising the jobs/positions within your organization? Please consider the following:
   a) Have you formally analyzed the tasks comprising each job?
   b) Have you considered the extent to which individuals must exercise judgement and the extent of related supervision?
   c) Have you formally analyzed and documented the knowledge and skills needed by individuals to perform each job?
   d) Do you adhere to the Idaho Personnel Commission's rules for hiring, performance evaluation, and compensation?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

2) Have you evaluated the knowledge and skill exhibited by employees in performing their jobs? Please consider the following:
   a) Do you have evidence your employees appear to have these skills and knowledge?
   b) Do you provide training opportunities for all employees, as necessary, to update and increase their knowledge and skills?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

B. CONCLUSION - Please summarize your responses for **Commitment to Competence.**

C. OVERSIGHT and GOVERNANCE

1) Do governing board members have sufficient knowledge, experience, and time to serve the organization's needs effectively?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

2) Does your board have independence from management, so difficult, probing questions can be raised when necessary? Please consider the following:
   a) Does the board constructively challenge planned decisions from management, such as strategic initiatives and major transactions?
   b) Does the board question and scrutinize activities, present alternative views, and take appropriate action if necessary?
   c) Does the board probe for explanations of past results, such as budget variances?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

3) Is the board utilized when a need exists for more in-depth or directed attention to particular matters? Please consider the following:
   a) Has the board formed committees, including an audit committee?
   b) Are committees sufficient, in subject-matter expertise and membership, to deal adequately with important issues?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

4) How often do board members meet with chief financial or accounting officers, internal auditors, and external auditors?   Please consider the following:
   a) Does the audit committee meet privately and regularly with internal and external auditors, to discuss the following:
      i)   the financial reporting process?
      ii)   the system of internal control?
      iii) significant comments and recommendations?
      iv) the performance of management?
   b) Does the audit committee annually review the scope of activities of the internal and external auditors?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

5) Is the board provided sufficient and timely information, so board members feel the information is proper and adequate for them to able to monitor the following:
   a) Management's objectives and strategies?
      i) the official Strategic Plan?
      ii) major planning initiatives?
      iii) customer service goals?
   b) The organization's financial position?
   c) The organization's operating results?
   d) Terms of significant contracts and agreements?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

6) Do you have a process for timely communication to the board of sufficient and timely facts concerning sensitive information, investigations, and improper acts, including the following:
   a) Misuses of travel expenses by senior management?
   b) Significant litigation?
   c) Embezzlement or misuse of state assets?
   d) Illegal or improper payments?
   e) Illegal or improper activities?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

7) Does the board have oversight in determining appointment, compensation, and termination of executive officers?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

8) What is the board's role in establishing the ethical "tone at the top"? Please consider the following:
   a) Is the board sufficiently involved in establishing and evaluating the ethical "tone at the top"?
   b) Does the board specifically address management's adherence to the code of conduct?
   c) What steps has the board taken to ensure an appropriate "tone"?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

9) What actions (including special investigations) does the board take as a result of its findings? Please consider the following:
   a) Does the board issue directives to management, detailing specific actions to be taken?
   b) Does the board oversee and follow up on those directives and actions, as needed?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

C. CONCLUSION - Please summarize your responses for **Oversight and Governance.**

D. *MANAGEMENT PHILOSOPHY AND OPERATING STYLE*

1) Do you have low personnel turnover in the key functions of your organization, such as, operations, accounting, data processing, and internal audit? Please consider the following:
   a) Have you experienced excessive turnover of management or supervisory personnel?
   b) Do key personnel quit unexpectedly or on short notice?
   c) Do you see a pattern of employee turnover (such as an inability to retain key personnel or internal audit staff) pointing to the emphasis, or lack of emphasis, you place on internal control?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

2) What is management's attitude toward the following: accounting functions, the reliability of financial reporting and the safeguarding of assets? Please consider the following:
   a) Is accounting viewed as a vehicle for exercising control of the organization's various activities?
   b) If your accounting function is decentralized, does management "sign off" on reported results?
   c) Do unit accounting personnel also have responsibility to central financial officers?
   d) Are valuable assets, including intellectual assets and information, protected from unauthorized access or use?
   e) Do you have a cash-management plan for regular reconciliation of cash received to cash deposited?
   f) Are key staff aware of agency and state fiscal policies and changes to those policies?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

3) Do you have a quality management initiative in your agency? Please consider the following:
    a)   Do you have a quality management plan with specific goals?
    b)   Are all your employees familiar with the plan?
    c)   Are your employees trained to work in teams to solve problems and to improve work systems?
    d)   Does management provide leadership in the quality initiative?
    e)   Are customers identified and are work processes geared to specific customer needs?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

4) Do senior management and operating management have frequent interaction, even when operating from geographically removed locations? Please consider the following:
   a) Does senior management frequently visit decentralized operational sites?
   b) Are group or divisional management meetings held frequently?
   c) Do decentralized managers visit central offices enough to keep a broad organizational perspective?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

5) What are your attitudes and actions toward financial reporting and disputes over accounting treatments, such as the following:
   i) conservative vs. liberal accounting policies?
   ii) whether accounting principles have been misapplied?
   iii) non-disclosure of important financial information?
   iv) manipulated or falsified records?
   b) Do you ignore signs of inappropriate practices?
   c) Do your estimates "stretch the facts"?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

D. CONCLUSION - Please summarize your responses for **Management Philosophy and Operating Style.**

E.   *ORGANIZATIONAL STRUCTURE*

1) Does your organization have an appropriate organizational structure? Does the structure allow for the necessary flow of work so activities can be managed? Please consider the following:
    a) Given the nature of your operation, is your organizational structure appropriately centralized or decentralized?
    b) Does the structure direct the flow of activities as appropriate--upstream, downstream, or across all program activities?
    c) Is the span of control for supervisors appropriate?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

2) Do you have adequate definitions for the responsibilities of your key managers? Do they understand those responsibilities? Please consider the following:
    a) Are the responsibilities and expectations of your program activities clearly communicated to the managers in charge of those activities?
    b) Do managers at all levels understand how their program activities tie into the goals and objectives of the entire organization?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

3)

Do the knowledge and experience of your key managers align with their responsibilities? Please consider the following:
a) Do the managers in charge have the required experience, knowledge, and training to perform their duties?
b) Are managers encouraged to update their management skills as their responsibility changes?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

4) Are the reporting relationships in your organization appropriate? Please consider the following:
   a) Have you established reporting relationships?
   b) Are they dual or direct reporting relationships?
   c) Do they provide managers with guidance appropriate to their responsibilities and authority?
   d) Do managers and supervisors have access to senior management?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

5) What is the extent to which you modify your organizational structure in light of changing conditions? Please consider the following:
   a) Do you periodically evaluate your organizational structure in light of changes in your environment, such as the following:
      i)   political?
      ii) regulatory?
      iii) statutory?
      iv) economic?
      v) technological?
      vi) demographic?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

6) Do you have sufficient numbers of employees, particularly in management and supervisory roles? Please consider the following:
   a) Do managers and supervisors have sufficient time to effectively carry out their responsibilities?
   b) Do exempt employees work excessive hours? Do they fulfill the responsibilities of more than one employee?
   c) Do you have controls to ensure non-exempt employees work only as permitted under the Fair Labor Standards Act guidelines?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

E. **CONCLUSION** - Please summarize your responses for **Organizational Structure**.

F. ASSIGNMENT OF AUTHORITY AND RESPONSIBILITY

1) Who in your organization has the responsibility and authority to create or assign the following:
    i) organizational goals and objectives?
    ii) operating functions?
    iii) regulatory requirements?
    iv) information systems?
    v) authorizations of changes?
  b) Please consider the following:
    i) Are authority and responsibility explicitly assigned to employees throughout your organization?
    ii) Is responsibility for decisions related to and commensurate with the delegation of authority?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

2) Do you have appropriate control-related standards and procedures, including job descriptions? Please consider the following:
  a) Do you have job descriptions?
  b) Are they current for all personnel?
  c) Do the descriptions contain specific references to control-related responsibilities?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

3)   Do you employ the appropriate number of staff with the requisite skills in relationship to the size of your organization and the nature and complexity of its activities and systems?   Please consider the following:

    a)   Do you have an adequate number of employees in your work force?
    b)   Do you have an adequate number of experienced employees to carry out the mission of your organization?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

F. CONCLUSION - Please summarize your responses for **Assignment of Authority and Responsibility.**

G.   HUMAN RESOURCE POLICIES AND PRACTICES

1) If your organization has non-classified employees, what is the extent of your policies and procedures for hiring, training, promoting, and compensating those employees? Please consider the following:
    a) Do you follow the Idaho Personnel Commission's guidelines as appropriate for your organization?
    b) Do you have personnel policies and procedures resulting in recruiting or developing competent, trustworthy people who support an effective management control system?
    c) Do you give the appropriate level of attention to recruiting and training the right people?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

2) Are employees aware of their responsibilities and of what management expects of them? Please consider the following:
    a) Do new employees know their responsibilities and management's expectations of them?
    b) Do supervisory personnel meet al least annually with employees for employee evaluation or for other planning?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

3) Is appropriate remedial action taken in response to departures from approved policies and procedures? Please consider the following:
   a) Have you formalized a range of appropriate responses if employees fail to carry out assigned responsibilities?
   b) Do you take appropriate corrective action when established policies are violated?
   c) Do your employees understand ineffective performance will result in remedial consequences?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

4) Do you complete adequate employee candidate background checks, especially if prior actions or activities are considered unacceptable in your organization?
   a) Do you employ closer scrutiny for job candidates with gaps in employment history or frequent job changes?
   b) Do your hiring practices require investigating criminal records?
   c) Do you follow up on reference letters and contact past employers during the selection process?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

5) If you have employees who are non-classified, do you have adequate policies and procedures in the following areas:
    i)   employee retention and promotion criteria?
    ii)   information gathering techniques?
    iii) performance evaluations?
    iv) relation of criteria to behavioral guidelines?
  a) Please consider the following:
    i)   Are promotion and salary increase criteria detailed clearly, so individuals know what is expected of them prior to promotion or advancement?
    ii)   Do those criteria reflect an adherence to standards of conduct?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

6) Do you have procedures to ensure compliance with Idaho Personnel Commission policies and procedures for classified employees? Please consider the following:
  a) Are personnel actions performed or monitored by personnel professionals?
  b) Do your personnel records document compliance with required policies and procedures?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

G. CONCLUSION - Please summarize your responses for **Human Resource Policies and Practices.**

II. Risk Assessment - M.C.S. Evaluation Tool Kit

A. ENTITY-WIDE OBJECTIVES

1) Do you have entity-wide objectives with sufficiently broad statements about the following:
    i) what is directed by statute?
    ii) what the entity desires to achieve?
   a) Are these objectives specific enough for your organization? Please consider the following:
      i) Have you established entity-wide objectives related to major statutory responsibilities?
      ii) Are these objectives periodically evaluated and updated?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

2) Are the entity-wide objectives effectively communicated to all employees and oversight entities? Please consider the following:
   a) Is information on the entity-wide objectives disseminated to employees and to the legislature?
   b) Do you obtain feedback from key managers, employees, and others, to determine if communication to employees is effective?
   c) Do you evaluate the feedback and adjust objectives as needed?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

3) Are your strategic plans linked to entity-wide objectives? Please consider the following:
   a) Does your strategic plan support your entity-wide objectives?
   b) Does your plan address high-level resource allocations and priorities?
   c) Does your plan contain realistic time frames and clearly defined roles and responsibilities?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

4) Are your business plans and budget proposals consistent with the following:
- i) entity-wide objectives?
- ii) strategic plans?
- iii) current conditions?

Please consider the following:
- a) Do your plans and budgets have appropriate detail for each level of management?
- b) Are your budget proposals driven by your organization's strategic plan?
- c) Do your plans and budget proposals reflect your organization's historical experience and current conditions?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

A. CONCLUSION - Please summarize your responses for **Entity-Wide Objectives.**

B.   ACTIVITY-LEVEL OBJECTIVES

1) Do you have activity-level objectives, with management at every level involved in setting the objectives? Are management personnel committed to achieving the objectives? Please consider the following:
   a) Do managers participate in establishing activity-level objectives for which they are responsible?
   b) Do you have a process for reconciling inconsistent objectives?
   c) Do managers support the objectives?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

2) Are your activity-level objectives linked with your entity-wide objectives and strategic plans? Please consider the following:
   a) Have you identified all significant activities and their objectives?
   b) Are they appropriately linked to entity-wide objectives?
   c) Do you periodically review your activity-level objectives for their continued relevance?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

3) Are your activity-level objectives consistent with each other? Please consider the following:
    a) Are they complementary and reinforcing *within* each activity?
    b) Are they complementary and reinforcing *between* activities?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

4) Can you measure your activity-level objectives? Please consider the following:
    a) Do your objectives include measurement criteria?
    b) Are the measurements quantifiable?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

5) Have you identified the resources needed to achieve your activity-level objectives? Please consider the following:
   a) Do you have plans for acquiring necessary resources, such as appropriations, personnel, facilities, and technology?
   b) Do you link identified resource needs to the budgeting process?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

6) Have you identified the activity-level objectives critical to your agency's success? Please consider the following:
   a) Have you considered what must go right, or where failure must be avoided, for your activity-level objectives to be achieved?
   b) Are budgets based on your analysis of the relative importance of objectives?
   c) Is your attention focused appropriately on critical factors?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

B. CONCLUSION - Please summarize your responses for **Activity-Level Objectives.**

C. RISKS

1) Are the appropriate managers and staff involved in risk assessment? Please consider the following:
    a) Are activity-level managers and staff involved in the identification and assessment of risks?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

2) Do you have ways of identifying risks arising from external sources? Please consider the following:
    a) Do you identify external risks arising from the following:
        i) economic conditions?
        ii) social conditions?
        iii) potential competitors' actions?
        iv) supply sources?
        v) technology changes?
    b) Do you periodically re-evaluate external risks?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

3) Do you have adequate methods for identifying risks arising from internal sources? Please consider the following:
   a) Do you identify internal risks arising from the following:
      i) changes in personnel duties (such as the retention of key management personnel or changes in responsibilities which could affect the ability of employees to function effectively)?
      ii) appropriation requests (such as the availability of funds for new initiatives or continuation of key programs)?
      iii) employee relations (such as compensation and benefit programs)?
      iv) information systems (such as adequate backup systems, in case systems fail and significantly affect operations)?
      v) data processing (such as disclosure of data, data integrity, and error, fraud, or misuse of data)?
      vi) cash management activities?
      vii) asset protection and preservation?
   b) Do you periodically re-evaluate internal risk?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

4) Do you analyze risk through a formal process, through informal day-to-day management activities, or both? Please consider the following:
   a) Does your risk analysis process include the following:
      i)   estimating significance of risks?
      ii) assessing likelihood of risks occurring?
      iii) determining needed actions?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

C. CONCLUSION - Please summarize your responses for **Risks**.

D. *MANAGING CHANGE*

1) Do you have ways to anticipate, identify, and react to routine events affecting the ability of your organization to achieve its objectives? Please consider the following:
   a) Are these mechanisms implemented by the managers most responsible for the affected activities?
   b) Are routine changes addressed as part of the normal risk identification and analysis process?
   c) Are risks and opportunities related to changes addressed at sufficiently high levels in the organization so their full implications can be identified and appropriate action plans can be formulated?
   d) Are all affected activities within the organization brought into the review process?
   e) Are employees encouraged to identify and communicate changing conditions or events?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

2) Do you have mechanisms to identify and react to dramatic changes that could have a pervasive effect on the organization, demanding attention from top management? Can you identify risk from the following:
   a) Changed operating environment?
      i) Does external information reveal major shifts in customer needs or public perception?
      ii) Is your organization aware of significant shifts in the work force, externally or internally, that could affect available skill levels?
      iii) Do staff periodically update management on the implications of new legislation?
   b) New or redesigned information systems?
      i) Do you have mechanisms to assess the effects of new systems?
      ii) Do you have procedures for reconsidering the appropriateness of existing control activities before new computer systems are developed and put on line?
      iii) Do you know if systems development and implementation policies are adhered to, despite pressures to "shortcut" the process?
      iv) Do you give attention to the effect of new systems on information flow and related controls?
      v) Do you consider the effect of new systems on employee training and employee resistance to change?
   c) New personnel?
      i) Do you take special action to ensure new personnel understand the organization's culture, so they may perform accordingly?
      ii) Do you consider key control activities performed by personnel being promoted or transferred?
   d) New services, products, activities, and acquisitions?
      i) Do you have the ability to reasonably forecast operating and financial results?
      ii) Do you have adequate information systems and control activities for a new service, product, or activity?
      iii) Do you develop plans for recruiting and training people with the requisite expertise to deal with new services or activities?
      iv) Do you have procedures for tracking early results and for modifying processes as needed?
      v) Do you monitor the effects on other organizational programs or activities?
   e) Organizational restructuring or reductions?
      i) Do you analyze staff reassignments or reductions for their potential effect on related operations?
      ii) Do you reassign the control responsibilities of employees who are transferred or terminated?
      iii) Do you consider the impact on the morale of remaining employees after a major downsizing has occurred?
      iv) Do you take steps to minimize disruption to essential or continuing service?
      v) Do you have plans for preventing dislocated workers from disrupting service or destroying organizational records?
   f) Decentralized operations?
      i) Does senior management keep abreast of the political, regulatory, business, and social cultures of areas in which decentralized operations occur?
      ii) Are personnel in decentralized operations made aware of accepted norms and rules of the central organization?
      iii) Do you have alternative procedures in case activities or communications of decentralized operations are interrupted?
   g) New technology?
      i) Do you obtain information on technological developments through reporting services, consultants, seminars, or public/private sector alliances?
      ii) Do you monitor new technologies and applications?
      iii) Do you have mechanisms for taking advantage of and controlling use of new technology applications and for incorporating them into work processes or information systems?
   h) Rapid growth?
      i) Are information systems capabilities upgraded to handle rapidly increasing volumes of information?

      ii) Is the work force in operations, in accounting, and in data processing expanded as needed, to keep pace with increased volume?

      iii) Do you have procedures and processes for revising budgets and forecasts, as needed?

      iv) Do you have a process for considering inter-departmental implications of revised unit objectives and plans?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

D. CONCLUSION - Please summarize your responses for **Managing Change**.

III. Control Activities - M.C.S. Evaluation Tool Kit

A.   CONTROL ACTIVITIES

1) Have you developed control activities or technologies to minimize risk? Please consider the following:
    a) Have you identified significant risk areas and established control mechanisms to prevent or minimize things going wrong?
    b) Have you performed cost/benefit analysis on control mechanisms to ensure they are cost effective?
    c) Do you periodically review control activities to determine whether they should be changed?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

2) Do you have appropriate written policies and procedures for your organization's key activities?
   Please consider the following:
   a) Are policies and procedures manuals kept current?
   b) Do employees have easy access to those procedures related to their jobs?
   c) Are new employees trained in the use of policies and procedures manuals?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

3) Do you properly apply identified control activities? Please consider the following:
   a) Are controls described in policies manual actually applied?
   b) Are they applied in a correct manner?
   c) Do you take appropriate and timely action on information or exceptions requiring follow up?
   d) Do supervisory personnel review the functioning of controls?
   e) Do you periodically review controls to assess whether they are still pertinent?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

4) Have you developed policies and procedures for the specific controls applicable to your organization? Please consider the following:
   a) Are duties divided so no one person can control two or more functional responsibilities?
   b) Have you identified risks placing employees in a position to both perpetrate and conceal errors or irregularities in the normal course of duties?
   c) Are any employees needlessly in a position to be either tempted or accused of inappropriate activity?
   d) Have you established review procedures objectives directed toward either preventing, detecting, or correcting the general types of errors, irregularities, and misstatements that can occur?
   e) Do you have authorization controls to ensure all transactions are properly approved before they are recorded?
   f) Does your organization chart outline the lines of authority?
   g) Do you maintain lists of individuals authorized to sign or approve transactions, with their signatures on file and a list of their responsibilities on file?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

A. CONCLUSION - Please summarize your responses for **Control Activities**.

IV. Information And Communication - M.C.S. Evaluation Tool Kit

A. INFORMATION

1) Is management provided external and internal information for evaluating your organization's performance in relation to established objectives?
   a) Is relevant external information obtained on legislative or regulatory developments and economic and social changes?
   b) Is information useful for evaluating achievement of critical objectives identified and reported regularly?
   c) Do managers receive the information they need to carry out their responsibilities?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

2) Is detailed, timely information provided to the right people, enabling them to carry out their responsibilities effectively? Please consider the following:
   a) Do managers receive analytical information, enabling them to develop plans of action?
   b) Is information at the right level of detail for the varying levels of management?
   c) Are information summaries appropriately "backed up" so both pertinent facts and smaller details may be examined, as needed?
   d) Is information available on a timely basis, so you can effectively monitor events and activities (internal or external) and react to economic and social factors and control issues?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

3) Do you develop and revise information systems based on your overall strategic plan? Please consider the following:
   a) Is the strategic plan linked to the achievement of entity-wide and activity-level objectives?
   b) Does your organization have an information-technology steering committee to identify emerging information needs?
   c) Are your information needs and priorities determined by executives with sufficiently broad responsibilities?
   d) Have you developed a long-range information-technology plan linked with your strategic objectives?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

4) Do you support the development of necessary information systems by committing the appropriate human and financial resources? Please consider the following:
   a) Are sufficient human resources (managers, analysts, or programmers with requisite technical ability) available as needed to develop new or enhanced information systems?
   b) Are employees adequately trained in new or enhanced information systems?
   c) Does your information-systems staff provide training and support services to other employees as needed?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

A. CONCLUSION - Please summarize your responses for **Information**.

B.   COMMUNICATION

1) Do you effectively communicate to employees their duties and control responsibilities? Please consider the following:
    a) Does your communication include the following:
        i)   formal and informal training sessions?
        ii)   employee evaluation meetings?
        iii) on-the-job communication?
    b) Do employees know the objectives of your organization's activities and how their duties contribute to achieving those objectives?
    c) Do employees understand how their duties affect other employees and how the duties of other employees affect them?
    d) Do employees understand how their work contributes to larger organization goals?
    e) Do employees understand the larger process to which their work contributes?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

2) Have you established channels of communication for employees to report suspected improprieties? Please consider the following:
   a) Is there a way for employees to bypass a direct superior and communicate with an ombudsman or personnel officer?
   b) Are anonymity and confidentiality respected?
   c) Do employees feel comfortable using the channels, when necessary?
   d) Are employees who report suspected improprieties given feed back and immunity from reprisal?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

3) Are you receptive to the suggestions of employees for enhancing productivity and quality? Please consider the following:
   a) Do you have a way, such as a quality management process, for employees to provide recommendations for improvement?
   b) Do you acknowledge good employee suggestions with meaningful rewards and recognition?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

4) Do you have adequate communication across your organization (e.g.; inter-departmental), to enable employees to effectively perform their jobs? Please consider the following:
   a) Are employees given complete, sufficient, and timely information?
   b) Does the central management team share and disseminate internal and external information?
   c) Do you hold regular staff meetings?
   d) Do you circulate departmental newsletters?
   e) Do you have a means of disseminating new policies and procedures?
   f) Do you routinely communicate changes in legislation?
   g) Do you routinely communicate management activities, so staff are aware of such things as long-range objectives, organizational changes, organizational achievements, and staff achievements, etc?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

5) Do you have open and effective channels of communication with customers, suppliers, and other external parties regarding changing customer needs? Please consider the following:
   a) Do you have channels for feedback among all pertinent parties?
   b) Are your customers and constituencies aware of your services and products?
   c) Do you advertise your agency's services to the target population?
   d) Do you capture suggestions, complaints, and other input, then communicate the information to all relevant internal parties?
   e) Do you report information to the appropriate staff, take follow-up action, and provide customer feedback?
   f) Can employees identify the customers of their key work process?
   g) Do employees periodically survey their customers to evaluate how their needs and expectations are being met?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

6) Do you make your customers and constituencies aware of your organization's ethical standards?
   Please consider the following:
   a) Do suppliers, customers, and others know your standards and expectations regarding their dealings with your organization?
   b) Are such standards reinforced in your routine dealings with these outside parties?
   c) Are improprieties by employees of external parties reported to the appropriate personnel?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

7) Are you timely and appropriate in following up on communication received from customers, vendors, regulators, and other external parties? Please consider the following:
   a) Are personnel receptive to reported problems with products, services, and other matters?
      i) Do you investigate and act on such reports?
   b) Do you correct errors in customer billings without delay?
      i) Do you investigate the source of the error?
      ii) Do you make corrections to avoid repeated errors?
   c) When processing complaints, do you involve appropriate personnel, independent of those involved in the original transaction?
   d) Do you take appropriate action and provide follow-up communication to the original sources?
   e) Is top management aware of the nature and volume of complaints, including changes made and overtime incurred?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

B. CONCLUSION - Please summarize your responses for **Communication.**

V. Monitoring - M.C.S. Evaluation Tool Kit

A.   ONGOING MONITORING

1) Does management monitor the reliability of reporting systems? Please consider the following:
    a) Do you periodically review reports to ensure data are accurate, reliable, and a measurement of the right things?
    b) Do you integrate or reconcile information used to manage operations with data generated by the financial reporting system?
    c) Are operating personnel required to "sign off" on the accuracy of their unit's financial statements?
    d) Are they held responsible if errors are discovered?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

2) As employees carry out their regular activities, what is the extent to which they obtain evidence the system of internal control is functioning? Please consider the following:
   a) Are copies of internal audits and other control system evaluation reports made available to employees?
   b) Are employees involved in the creation and evaluation of management control systems?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

3) What is the extent to which communications from external parties corroborate internally generated information, or indicate internal control problems? Please consider the following:
   a) Do customers implicitly corroborate billing data by paying their invoices or fees?
   b) Do you investigate customer complaints about billings or fees when the complaints indicate possible system deficiencies in the invoicing process?
   c) Do you investigate the validity and cause of complaints from regulated entities or benefits recipients?
   d) Do you use communications from vendors and monthly statements of accounts payable as a control monitoring technique?
   e) Do you fully investigate suppliers' complaints of unfair practices by purchasing agents?
   f) Do regulators and central service agencies (State Controller's Office, State Treasurer's Office, Division of Financial Management, etc) communicate information to you regarding compliance, or other matters reflecting on the functioning of your organization's management control system?
   g) Do you reassess controls that should have prevented or detected problems?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

4) Are you responsive to internal and external auditor recommendations on ways to strengthen internal controls? Please consider the following:
   a) Do managers with the proper authority decide which recommendations will be implemented?
   b) Do you follow-up on desired actions to verify implementation?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

5) Do staff meetings, planning sessions, and other meetings provide feedback on whether controls are operating effectively? Please consider the following:
   a) Do you capture relevant issues and questions raised at staff meetings?
   b) Do you communicate employee suggestions upstream and act upon them, as appropriate?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

6) Do you monitor staff who regularly perform critical activities?   Please consider the following:
   a) Do you require employees to sign logs or other evidence showing they have performed critical control functions (such as reconciling specific amounts)?
   b) Do you periodically review critical control activities with the employees responsible for them, to ensure they are still applicable and working well?
   c) Do you periodically have personnel state whether they understand and comply with codes of conduct?
   d) Do you solicit suggestions from employees for improving or changing control activities?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

7) How effective are your internal audit activities? Please consider the following:
   a) Do you have appropriate levels of competent and experienced staff?
   b) Are their positions within the organization appropriate?
   c) Do internal auditors have appropriately independent positions in the organizational structure?
   d) Do internal auditors have access to the senior executive or to the governing board?
   e) Are the internal auditors' plans, scope and responsibilities appropriate for your organization's needs?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

A. CONCLUSION - Please summarize your responses for **Ongoing Monitoring.**

B.   SEPARATE EVALUATIONS

1) What is the scope and frequency of separate evaluations of your management control system?
    Please consider the following:
    a) Do you have a systematic process for evaluating your management control system?
    b) Are appropriate portions of the management control system evaluated?
    c) Are the evaluations conducted by personnel with the requisite skills?
    d) Do the evaluations have adequate scope, depth of coverage, and frequency?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

2) Is the evaluation process appropriate? Please consider the following:
   a) Does the evaluator gain sufficient understanding of your organization's activities?
   b) Do you obtain an understanding of how the system is supposed to work and how it actually works?
   c) Do you measure the evaluation results against established criteria?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

3) Are the methods for evaluating a system logical and appropriate? Please consider the following:
   a) Do evaluation methods include checklists, questionnaires, or other tools?
   b) Is the evaluation team brought together to plan the evaluation process and to ensure a coordinated effort?
   c) Is the evaluation process conducted by a manager with the requisite authority?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

4) Is the level of documentation appropriate? Please consider the following:
   a) Are policy manuals, organizational charts, and operating instructions, etc. available?
   b) Do you document the evaluation process?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

B. CONCLUSION - Please summarize your responses for **Separate Evaluations.**

C.   REPORTING STRENGTHS and WEAKNESSES

1) Do you have mechanisms for capturing and reporting identified internal control strengths and weaknesses? Please consider the following;
    a) Are formal evaluations of control strengths and weaknesses from both internal and external sources (customers, suppliers, auditors, and regulators) reported to management?
    b) Are findings from ongoing monitoring or separate evaluations reported to management?
    c) Did you remember to send your annual report to the State Controller (due not later than September 30)?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

2) Is your reporting protocol appropriate? Please consider the following:
   a) Are deficiencies reported to the person directly responsible for the activity and to a person at least one level higher?
   b) Are specified types of deficiencies reported to more senior management and to the board?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

3) Are your follow-up actions appropriate? Please consider the following:
   a) Is the transaction or identified event correct?
   b) Do you investigate the underlying causes of the problem?
   c) Is there a follow-up to ensure the necessary corrective action is taken?

Please write your narrative responses, considering STRENGTHS; AREAS OF IMPROVEMENT; and ACTION PLANS--Next Steps.

B. CONCLUSION - Please summarize your responses for **Separate Evaluations.**